

No American auto company, or merged combination, could develop the capital either internally or by private borrowing, to restore a competitive position against the more productive plants of Korea, Germany, or Japan. According to Kevin Kearns, an economist with the Economic Strategy Institute, Japanese workers have twice as many machine tools, robots and computers behind them as do American workers, and Japanese manufacturers outspend U.S. firms five to two on new plant and equipment.

Kearns draws the obvious conclusion: "American workers and American management are being asked to do the impossible—use worn-out tools and equipment to keep up with competitors who are constantly building new plants and introducing new equipment." What an irony. Those competitors learned their trade from the great U.S. industrialists like Henry Ford—but Lee Iacocca took over the Ford Motor Company.

Chrysler epitomizes the present predicament of American auto. Its \$20 billion debt, held by Chrysler Capital, half of whose investments are not company related, has been downgraded by Moody's and by Standard and Poor's to "junk bond" status. It cannot borrow from the banks, and it cannot generate internal capital since it is losing significant sums (and Lee Iacocca, the management genius who led the company thus, is going to clean out his desk, pack away his name plate and retire this year).

Does America need an auto industry? Suppose the companies go all the way and become trading houses like Sears or Montgomery Ward, not only shipping jobs abroad but buying their products and parts from captive suppliers overseas, in Japan, Brazil, Korea, Mexico, Taiwan, or China. House Majority Leader Richard Gephardt (D-Mo.) and Sen. Donald Riegle (D-Mich.) introduced their "Trade Enhancement Act of 1992" to accomplish this. This bill would "rationalize" world auto production to reduce the "overproduction" of cars and trucks, shutting down the less productive factories. American factories would be a prime shutdown target, and General Motors, which just announced the attrition of 74,000 employees, appears headed in just that direction.

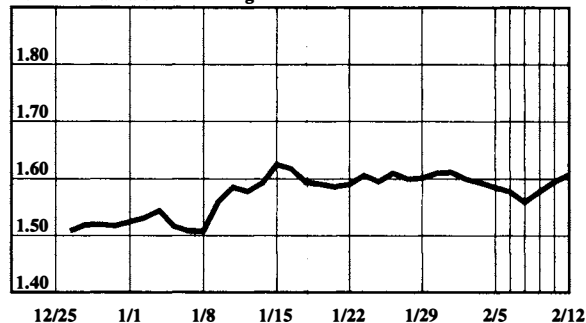
But if Americans want an auto industry—and other industries too—rather than a descent into Third World poverty, the federal government will have to issue billions of dollars in Treasury credits (not borrowed funds or tax money) to the industry on the proviso that they clean out their Iacoccas and find some Henry Fords. Think of the breakthroughs in new materials development alone from a new integrated U.S. auto/aerospace sector. Think of all the people in the newly liberated former Soviet territories, eastern Europe, and underdeveloped nations who desperately need high-quality American Motor vehicles, tractors, transportation equipment, earth-moving and forklift equipment.

The market is there; the Treasury could issue the low interest, long-term credit; but can we elect a Congress and a President to do the job?

Currency Rates

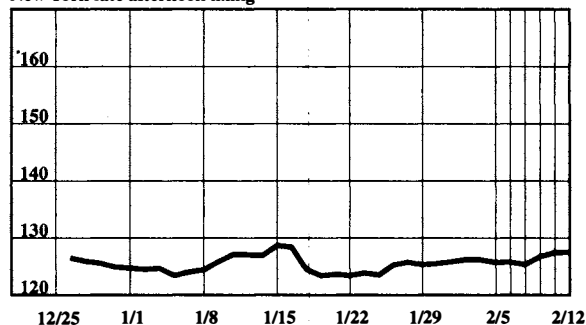
The dollar in deutschemarks

New York late afternoon fixing



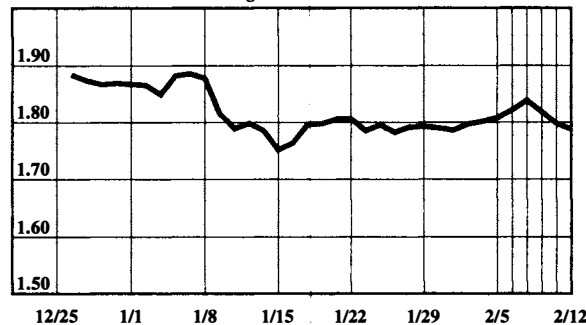
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

